



Committee On Finance

Max Baucus, Ranking Member

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Baucus Applauds Passage of Smith-Bingaman-Coleman-Baucus Amendment to Protect the Medicaid Program from Budget Cuts

(WASHINGTON, D.C.) U.S. Senator Max Baucus, Ranking Member of the Senate Finance Committee today applauded the passage of an amendment that protects the Medicaid program from budget cuts. The bipartisan amendment sponsored by Senators Smith, Bingaman, Coleman, and Baucus, struck the cuts proposed in the budget and reserved funds in the budget to establish a bipartisan Medicaid commission to consider reforms and report to Congress within one year. The amendment passed by a 52-48 vote. After the vote, Senator Baucus issued the following statement:

"Today's vote protects Medicaid from arbitrary cuts in the budget. Medicaid provides a lifeline of health and long term care services for more than 53 million of our nation's most vulnerable Americans, but this budget would have put the program on life support. The bipartisan Medicaid commission created by this amendment will give the program the thoughtful approach it deserves. I will remain vigilant throughout the budget conference to ensure that the final budget protects Medicaid.

"I applaud the leadership of Senators Smith and Bingaman in offering this amendment and their commitment to helping us win today. I also commend the courage of my Republican colleagues and thank them for their support. This truly bipartisan effort only underscores how important Medicaid is to our nation."

Senator Baucus' floor speech in support of the amendment from earlier this week follows:

"Mr. President, I rise to oppose the reconciliation instruction in this budget resolution directing the Finance Committee to cut Medicaid by \$15 billion over five years. These cuts would tear the fabric of our nation's safety net at a time when Medicaid is needed more than ever. I plan to cosponsor an amendment to strike these instructions and instead establish a Bipartisan Medicaid Commission.

Medicaid is too important to be subject to arbitrary budget cuts. It is a critical public program that provides a lifeline of health coverage and long-term care services to more than 53 million of our nation's most vulnerable individuals.

For example, Medicaid ensures access to health coverage for more than one in four children. It is the nation's largest single purchaser of long-term care services, and fills the gaps in Medicare's coverage for more than 6 million low-income senior and disabled individuals.

It is an essential provider of health services for women, the leading purchaser of family planning services, and it pays for more than 40 percent of all births in America. And Medicaid funding is a major source of support that keeps the doors open at thousands of community health centers, public hospitals, nursing homes, and other health facilities.

While Medicaid is a critical component of our health care system, it is certainly not perfect. And for that reason, Mr. President, I am open to talking about changes in Medicaid. I am open to talking about better accountability, the need for more state flexibility. And I am willing to consider any other area where improvements or clarification to existing Medicaid law is needed.

But we should not cut Medicaid for the sake of meeting an arbitrary budget number. And we should not cut Medicaid under the guise of 'program integrity' without a better understanding of what states are doing. Without knowing whether the activities singled out in the President's budget are truly abusive. And without knowing what impact these cuts will have on the people who depend on Medicaid. To do so is just plain reckless.

Yes, Medicaid costs are growing. Recent cost growth at the state and federal level is cause for concern. But most of this cost growth is due to an increase in enrollment and the same health care cost inflation that affects every insurance plan. From 2001 to 2003, during the last recession, Medicaid added seven and a half million people to its rolls. Most of these people were insured but lost coverage because their employer dropped coverage or they couldn't afford the premiums. These 7.5 million would likely be uninsured if not for Medicaid. This growth in enrollment shows that Medicaid is doing its job, growing to meet the need when times are tough.

And even though Medicaid costs are increasing, just as in Medicare and the private sector, it is important to keep in mind that Medicaid growth is lower on a per person basis. A recent study showed that Medicaid cost growth was 6.1 percent per person, compared to 12.6 percent for private coverage.

We also pay more for Medicaid because of the critical role it plays in filling Medicare's benefit gaps for seniors and people with disabilities. More than 40 percent of all Medicaid spending goes to pay for long-term care, prescription drugs, other coverage and cost-sharing for low-income individuals who are eligible for both Medicaid and Medicare. That's 40 percent of Medicare's costs, even though dual eligibles make up only about fourteen percent of all Medicaid enrollees.

In essence, Medicaid picks up the tab for what Medicare should be covering. The new Medicare drug benefit should provide some new assistance with costs for the dual-eligibles. However, states will still be responsible for a substantial share of total spending in the form of so-called clawback payments.

Medicaid deserves its own policy debate, just like we had with Medicare. And whatever policy we support must address the root causes of the challenges facing Medicaid: the growth in enrollment; rising health care costs; and the increasing cost of providing long term care and other services to dual eligible beneficiaries. We need the right diagnosis before we can get the prescription right. That's why I support creating a Bipartisan Medicaid Commission to advise Congress on how to sustain Medicaid well into the future.

By contrast, the budget resolution we are now debating would constrain us to finding savings that meet a target number – even if that means cutting services and benefits, shifting costs to states, or dramatically restructuring the program.

The budget resolution frames these cuts as the amount that's misspent on so-called 'waste and abuse' in the system. Without a doubt, everyone wants to make Medicaid more efficient. And everyone agrees that we need to root out fraud and abuse in Medicaid. In fact, Congress has acted to root out fraud and abuse in Medicaid every time we have discovered it. Like with upper payment limits, disproportionate share hospital payments, and provider taxes.

And we stand ready to correct any misappropriation of federal funds. But in the case of the Administration's proposals, it's not entirely clear that there is evidence of abuse – or that the policy they've proposed will address the issue. For example, in the case of the President's proposal to limit intergovernmental transfers – IGTs – the Congressional Budget Office failed to score any savings. CBO lacked sufficient detail on the policy.

In fact, Senator Grassley and I have been asking the Administration for specific information – for over a year now – about which states are currently out of compliance with the IGT rules, and how their policy on IGT enforcement may have changed. But they have not provided the information that we have requested.

Mr. President, I caution my colleagues in the Senate against buying the Administration's pig in a poke on this issue. So let's be clear on what the President's proposal would do. It would change the rules of the game on how states can finance their Medicaid programs, pure and simple.

And the bottom-line impact on states could be devastating. In Montana, proposed cuts in the budget resolution would result in a net loss of more than \$133 million federal dollars from state's Medicaid program. In human terms, this funding cut could mean a loss of coverage for 2,800 seniors or more than 12,000 children.

Lost federal funds could also mean lost state revenues and jobs created by Medicaid spending. For every \$1 million Montana spends on Medicaid, more than \$4.7 million in new business activity is generated and just over 57 new jobs are created. Montana can ill afford to lose this business revenue and economic development.

Beyond the statistics and economic impact statements, there are real people who will be hurt if we cut Medicaid. Last month I heard from Kaaren Rizor, director of the Ashland Community Health Center in Ashland, Montana, who told a powerful story about how Medicaid has helped her community and what cuts might mean for her center's ability to serve those in need. She wrote:

'I can't imagine what our population in Ashland, Montana would do without Medicaid. Talk about impacting under funded Community Health Centers! [Medicaid cuts would] mean accepting more patients for sliding fee scale discounts with no means of recouping the cost of their care.

The concept of more Community Health Centers is noble and good, but we aren't magicians. We can't pull money out of a hat to survive.

Our clinic has tripled to quadrupled the number of annual patient encounters. Along with that, we see more and more families living at 100% of poverty.

Without Medicaid, we carry a tremendous burden to see all who come to us, without the funds to provide quality care.'

Let me reiterate that I am open to working on improvements to Medicaid. But we should not throw the proverbial baby out with the bath water. This program is too important to too many people. And program cuts or funding caps will have a real impact on real people.

Finally, I would note that the House budget includes reconciled cuts in these programs that are much deeper than those in the Senate. We cannot act as though all such savings can somehow be achieved by wishing away ‘fraud, waste, and abuse.’ I am deeply concerned about conference deliberations on this matter.

The amendment to strike this reconciliation instruction and instead establish a Bipartisan Medicaid Commission enjoys widespread support from many governors, health care providers, and more than 131 national organizations dedicated to helping the nation’s Medicaid beneficiaries, among countless others. I want to applaud the leadership of Senators Smith, Bingaman, and Coleman in proposing this amendment. I urge my colleagues to join me and Senators Smith, Bingaman, and Coleman in supporting this important amendment. Thank you, Mr. President, I yield the floor.”

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